GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:715
ANSWERED ON:28.07.2006
PRIVATE PARTICIPATION IN POWER GENERATION
Rao Shri Kavuru Samba Siva

Will the Minister of POWER be pleased to state:

(a) the private participants in power generation have to commit long term power pricing for selling power whereas the prices of major imputs of gas and liquid fuel are unpredictable;

(b) the steps taken to promote private participation in augmenting the power generation capacity in the country;

(c) whether the new tariff policy has been found in discriminatory in nature by independent private power producers discouraging them to enter in the sector; and

(d) if so, the details thereof?

Answer

THE MINISTER OF POWER (SHRI SUSHILKUMAR SHINDE)

(a) : Under the provisions of the Electricity Act, 2003, Central Government has issued the guidelines for competitive bidding for determination of tariff for procurement of power by distribution licensees on 19th, January, 2005. These guidelines provide that the energy charges payable during the operation of the contract shall be related on the base energy charges specified in the bid with suitable provision for escalation. In case the bidder provides firm energy charge rates for each of the years of the contract term, the same shall be permitted in the tariffs.

(b) : Following steps have been taken in this regard:-

- The Electricity Act, 2003 has delicensed generation. Captive power plants including group captive have been freely permitted.

- The Act provides for open access in transmission from the very beginning. It provides for phased introduction of open access in distribution by the State Electricity Regulatory Commissions (SERCs). This has created an all India market for electricity.

- Initiative has been taken for facilitating development of ultra mega power projects of about 4000 MW each capacity under tariff based competitive bidding route. In order to enhance investor`s confidence, reduce risk perception and get good response to competitive bidding, the initiative envisages creation of project specific Special Purpose Vehicle (SPV) which would tie up the necessary inputs and clearances such as provision of site, fuel through captive mining blocks and water.

- Guidelines for development of transmission projects through tariff based competitive bidding have been notified.

- Section 14 of the Electricity Act, 2003 allows any person to generate and distribute electricity in any notified rural area without the requirement of a license.

(c) & (d) : Inviting private participation through a transparent competitive bidding process has been a long standing policy of the Government. This step was taken in the interest of transparency as well as to encourage competition.

The Tariff Policy provides that all future requirement of power should be procured competitively by distribution licensees except in cases of expansion of existing projects or where there is a State controlled/owned company as an identified developer. The Policy further provides that even for the Public Sector projects, tariff of all new generation and transmission projects should be decided on the basis of competitive bidding after a period of five years.